



SYNLAIT MILK LIMITED

ANNOUNCEMENT

14 February 2014

Synlait Milk commits to state of the art full service laboratory

Synlait Milk has committed to building a state of the art full service quality testing laboratory to further support its position as a supplier of high quality value added ingredients, and infant formula and nutritional products.

The Company's quality strategy has been to build in-house capabilities to support the testing requirements for the products it produces, however it has now significantly expanded the scope of the proposed laboratory from chemical and physical property testing to include full microbiological testing using the latest technologies.

In addition to the quality testing function there will now also be integrated facilities to support new product development, including the ability to conduct pilot scale trials, as well as allowing for sensory analysis to ensure the needs of the Company's customers are met.

Synlait Milk Managing Director John Penno says the change in scope will give Synlait Milk greater control over the quality testing process and help ensure it can achieve the ever increasing quality standards required by the world's most demanding customers. It will also reduce the need for external services and associated costs while reducing turnaround times.

"By building capability in quality management and establishing an on-site 'Centre of Excellence' that will be accredited to international standards, the Company will strengthen its reputation with customers and the regulatory bodies governing the markets it serves," said Mr Penno.

Synlait Milk has also changed the scope of its new administration facility incorporating extra capacity to support growth in the business overtime. This will cement Dunsandel as the long term headquarters for Synlait Milk.

Due to the change in scope of both the quality testing laboratory and the administration facility an additional capital expenditure is required. The Board today approved a total combined cost forecast to be \$21.0 million, with a completion date for both facilities now expected to be February 2015.

Recently Synlait Milk announced that due to continued improvements in its financial performance its forecast net profit after tax for FY2014 will be significantly ahead of its prospectus forecast of \$19.8 million, and is expected to be in the range of \$30.0 to \$35.0 million.

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